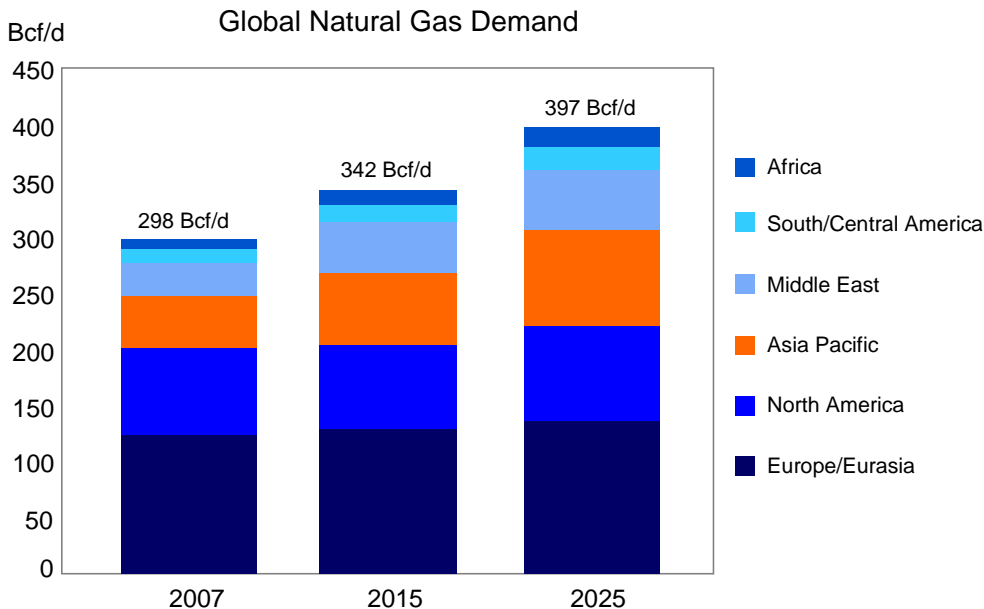


Global Natural Gas Demand

Global demand for natural gas is expected to expand significantly as more nations adopt environmentally cleaner fuels to meet future economic growth and prioritize alternatives to minimize the impact of increasing oil – based energy costs. The environmental benefits of natural gas are clear. Natural gas emits 43% fewer carbon emissions than coal, and 30% fewer emissions than oil, for each unit of energy delivered. Many of the most rapidly growing gas markets are in emerging economies in Asia, particularly India and China, the Middle East and South America, economies which battle the balance between air quality and living standards on a daily basis.

According to the U.S. Energy Information Agency (EIA), worldwide natural gas demand grew by 57 Bcf/d from 2000 to 2007, nearly 25%. The EIA also projects global natural gas demand to grow over 40 Bcf/d by the year 2015, and projects a further growth in demand of over 50 Bcf/d by 2025.



Source: EIA International Energy Outlook 2010

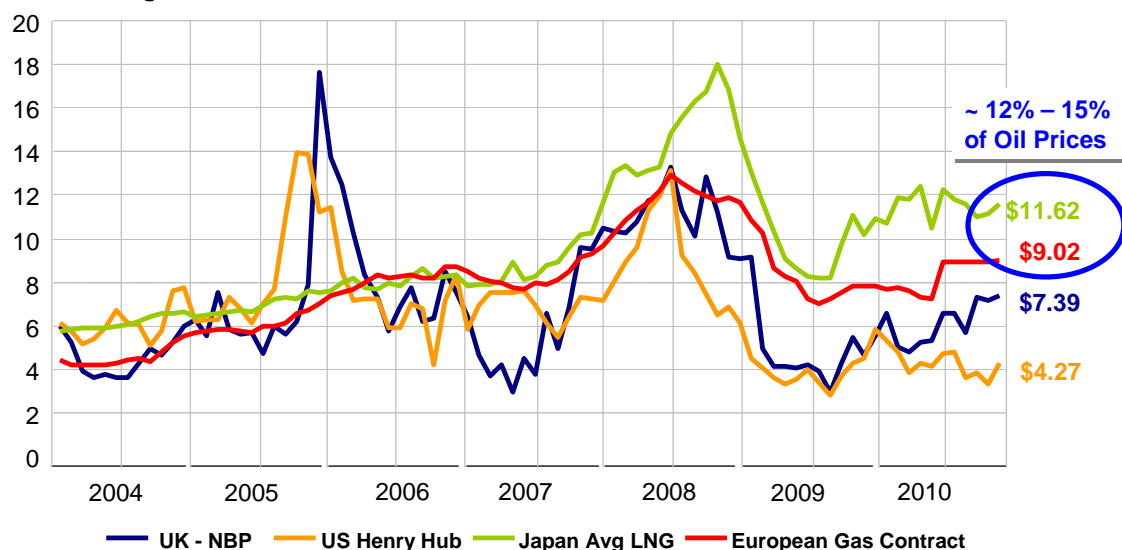
LNG is the fastest-growing component of the global natural gas market, increasing at a 7% annual rate over the last decade. For countries that lack indigenous natural gas resources and delivery infrastructure, LNG represents a rapid and cost-effective means of introducing natural gas into their local fuel mix. Currently there are 25 LNG-importing countries in Europe, Asia, South America, Central America, North America and the Middle East, up from 17 importing countries in 2007. Numerous developing countries, including Poland, Croatia, Bangladesh, Jamaica, Colombia, Panama, El Salvador, Costa Rica and Lebanon, among others, are considering plans to build new LNG terminals and enter the global LNG trade.

The Liberalization Opportunity in Global Gas Markets

While the global natural gas market is large and growing, only a small portion of international trade is transacted based on liberalized spot market prices. The pricing paradigm underpinning the world's gas trade is heavily dominated by oil indexation, which adjusts prices for natural gas by referencing lagged oil product prices. Oil indexation is the dominant method for long-term contracting across Europe and Asia, and has historically defined terms between suppliers and customers of LNG projects. In 2008, only 16 Bcf/d of the international gas trade was transacted on the basis of spot gas pricing, and the bulk of this trade took place between Canada, the U.S. and Mexico.

Oil indexation pricing practices have come under unprecedented strain in recent years, as a rise in U.S. natural gas production has coincided with the start-up of large-scale LNG supply trains in the Middle East and Asia-Pacific to create a global gas supply bubble, at the same time that major gas-consuming countries have seen a retrenchment in demand owing to the global recession. The result has been increased spot LNG sales, and surging liquidity at freely traded gas hubs, particularly in Northwest Europe. There wholesale buyers have opted for cheaper spot gas and turned down to minimum or, even below minimum, thresholds for buying oil-indexed gas. This development resulted in the partial or temporary “re-engineering” of many traditional long-term oil-indexed contracts to avert crisis, but has opened the door further toward the unified and liberalized gas market European policies aim for.

\$/MMBtu Regional Natural Gas & LNG Prices



Source: PIRA, Platts

The growing gap between prices for oil and natural gas in freely traded markets is widely expected to persist and potentially widen. Whereas gas is increasingly available and can be transported to markets by both pipeline and LNG, oil prices are widely expected to be pressured upward by demand for transportation fuels in emerging economies, led by China and India. This dynamic has encouraged established LNG buyers to consider alternative pricing mechanisms for their gas supply, such as indexation to the US Henry Hub market hub, to meet their future demand needs.

Changing Outlook for U.S. Natural Gas Supply

The outlook for U.S. natural gas supply has changed dramatically over the past five years as a result of innovations in drilling technologies that have enabled large supplies of unconventional gas, and in particular shale gas, to be developed at low costs.

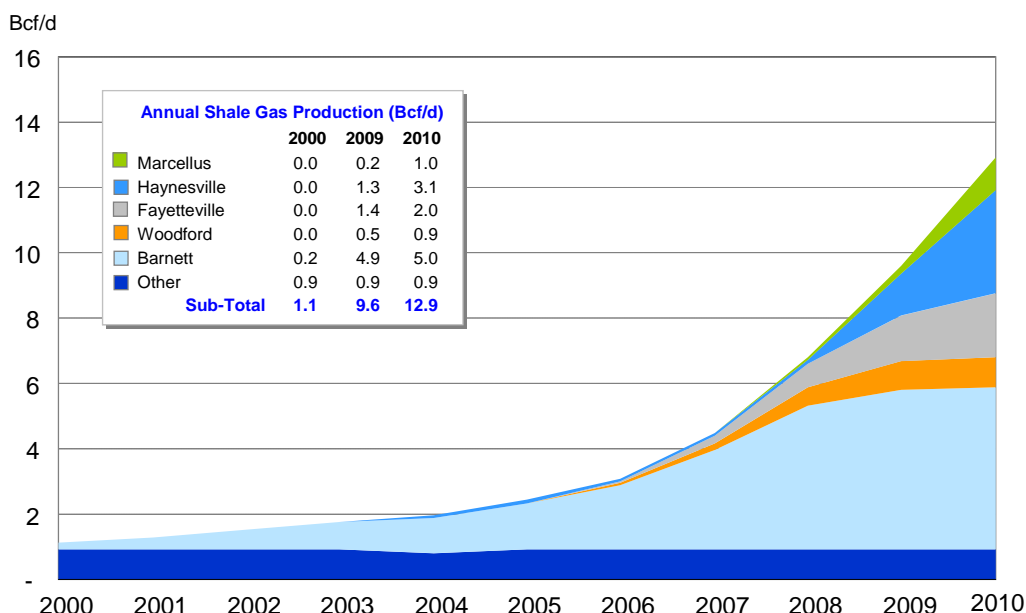
At the start of the decade, fears of impending shortages were prevalent in the U.S. natural gas industry. Natural gas reserves and production had been flat during the 1990s, large conventional gas fields in the Gulf Coast region were in decline, and many analysts were skeptical of the industry’s ability to add new production and meet future growth in domestic demand.

Benefitting from science and technology investments in the 1980s and 1990s, the U.S. natural gas industry began making strides in extracting natural gas from low-permeability, or “tight”, reservoirs such as coalbed methane, sandstone and shales. Production gains rapidly accelerated after 2005, following the widespread adoption of horizontal drilling practices in the Barnett Shale in north-central Texas, and subsequently in other emerging shale plays.

From 2005 – 2007, natural gas prices at the Henry Hub averaged approximately \$8.00 per MMBtu, a price which supported an increase in active drilling and continual improvements in industry practices to produce gas from unconventional reserves. Long-run breakeven price estimates to produce shale gas have fallen significantly over time as the industry has perfected drilling and completion methods while discovering prolific new fields, enabling the expansion of a predictable, low-cost source of gas for the U.S for future decades.

Instead of declining as many predicted, U.S. natural gas production increased from 53 Bcf/d in 2000 to approximately 59 Bcf/d in 2010, as gains in unconventional production more than countered declines in conventional onshore and offshore reservoirs. Production from shale plays surged over the decade, rising from 1 Bcfd in 2000 to over 12 Bcfd in 2010.

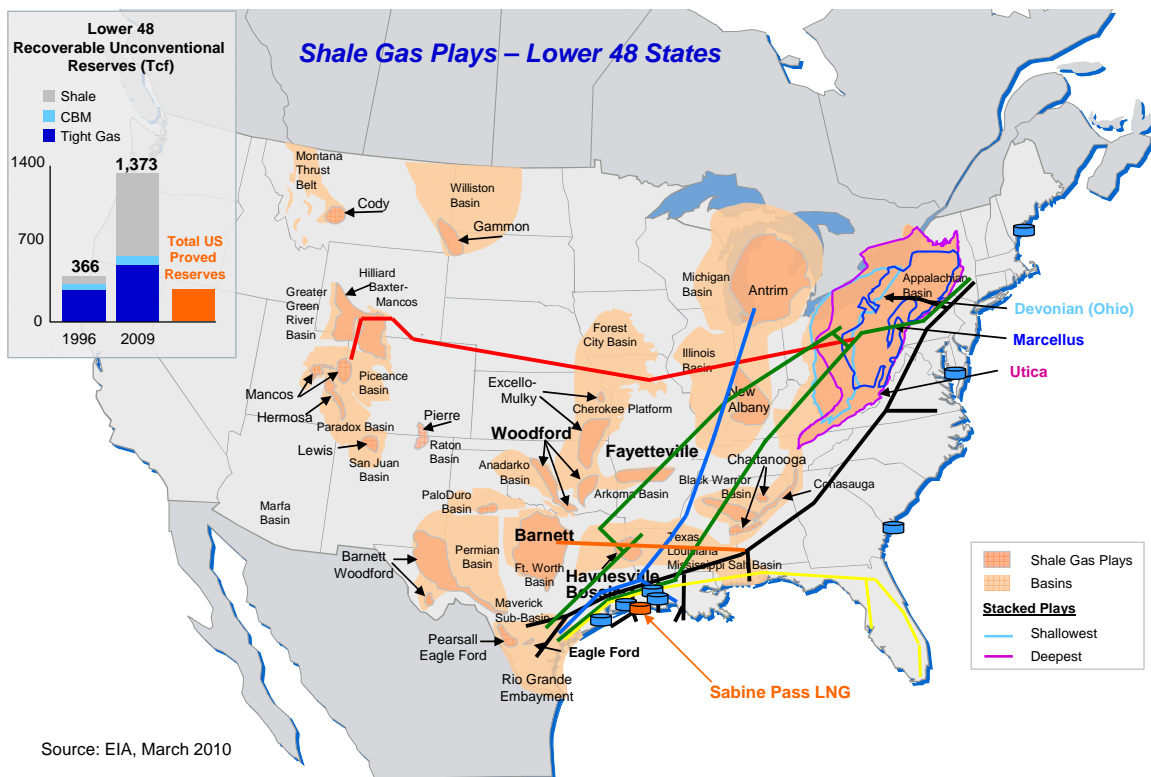
U.S. Shale Gas Production - Dramatic Increase



Source: Lippman Consulting, Advanced Resources Intl.

As the natural gas industry's understanding of the unconventional resource base has grown, drilling costs have steadily declined while the productivity of new wells has steadily increased. Meanwhile, productive geologic formations continue to be discovered. Many of today's most prolific shale plays, including the Marcellus Shale in the Northeast, the Haynesville Shale in northern Louisiana and East Texas, and the Eagle Ford Shale in South Texas, were virtually unexplored by the industry only a few years ago.

The U.S. natural gas resource should continue to expand in the coming years as unproved unconventional basins are defined and developed. Examples of these emerging basins include multiple shale plays in the Rockies (Mancos, Baxter, Niobara, etc.), the Granite Wash tight sands in the Mid-Continent, and the Utica and others emerging shale plays in the East.



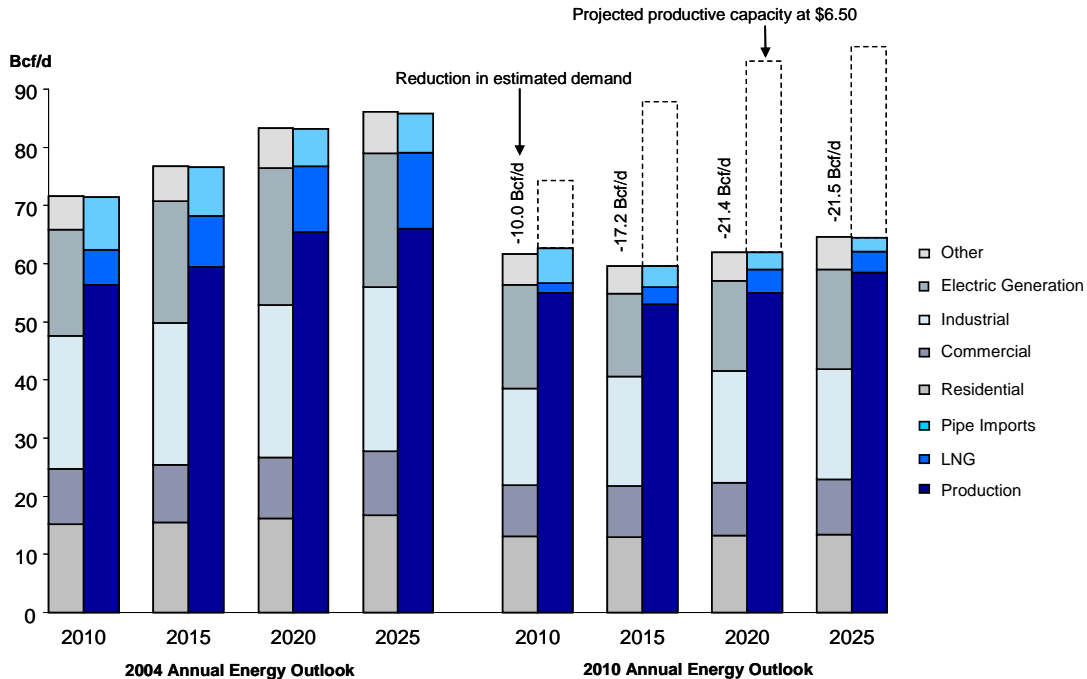
The robust potential for future United States natural gas supply has been reflected in other recent industry evaluations:

- The Potential Gas Committee estimates the U.S. has future available gas supply of 2,074 Tcf, the highest resource evaluation in the group's 44-year history and over 90 years of U.S. demand at 2009 consumption levels.
- The recent MIT report, *Future of Natural Gas*, found that the U.S. has 2,100 Tcf of recoverable reserves, including 650 Tcf of recoverable shales of which 400 Tcf could be economically developed below \$6 wellhead prices. The MIT Report estimates U.S. gas production will rise by 40% between 2005 and 2050.
- Advanced Resources International, in a report commissioned for Cheniere's application with the Department of Energy for LNG export authorization, estimates that the U.S. has 2,585 Tcf of technically recoverable gas reserves, or 113 years of U.S. demand at 2009 levels. Unconventional gas represents 53% (1,373 Tcf) of this total, including 700 Tcf of recoverable shale, 567 Tcf from tight sands, and 106 Tcf from CBM.

U.S. Gas Demand

Expectations for U.S. gas market growth have been lowered over the last decade as a consequence of persistent market price volatility, as well as underlying changes in the economy. The National Petroleum Council in 1999 predicted the U.S. would consume 30 Tcf of natural gas by 2010. Instead, U.S. gas demand in 2009, at 22.7 Tcf, was lower than at the start of the decade, lead by declines in industrial gas demand. Government forecasters at the U.S. Energy Information Administration no longer anticipates a 30 Tcf market in the foreseeable future, predicting in the *2010 Annual Energy Outlook* that U.S. gas demand would total 24.9 Tcf by 2035.

U.S. Energy Outlook



Source: Energy Information Administration Annual Energy Outlooks, 2004 and 2010
Productive Capacity estimated from EnCana's projections for North America.

Structural factors have contributed to these more conservative estimates of future demand growth. The composition of U.S. economic activity has gravitated toward less energy-dependent activities such as services and health care, at the expense of manufacturing-based activity. Furthermore, improved technology and efficiency standards have led to sharp reductions in energy usage in consumer products that directly, or through reduced electricity usage, indirectly impact U.S. natural gas consumption. New combined-cycle natural gas power plants also consume much less natural gas than their older steam-based counterparts. Consequently, electricity output from domestic gas-fired power plants over the last decade has been expanding at approximately twice the rate of growth in demand for natural gas to fuel those units.

Other sectors of the domestic economy have experienced structural changes that have dampened the potential for future growth in natural gas consumption. The EIA has documented that gas demand per U.S. residential household has been in decline since the 1990s, down 22% on a weather-adjusted basis from 1990 to 2009, due to efficiency gains in heating furnaces, improvements in insulation and building construction codes, population shift towards warmer regions, and higher commodity prices. The EIA is forecasting effectively no growth in future residential sector consumption of natural gas as customer growth is offset by efficiency gains. The result of these trends is that meeting the future economic needs of the U.S. economy will require relatively less natural gas, and energy in general, than in the past.

U.S. Opportunity to Export

Current market fundamentals have created an opportunity for the U.S. to offer natural gas to global markets at competitive prices, promoting environmentally friendly economic development for emerging markets, improving our balance of trade, and supporting approximately 30,000 – 50,000 jobs per 2 Bcf/d of additional production. Global demand for natural gas is increasing and the demand for LNG will soon exceed worldwide production capacity. The U.S. is experiencing an increase in natural gas production, primarily driven by unconventional gas plays, and U.S. natural gas demand continues to lag behind market projections. The cost to produce natural gas in the U.S. plus the cost to transport LNG to international markets is significantly below crude prices on

an energy equivalent basis and oil indexed gas market prices, presenting a substantial value arbitrage opportunity, as illustrated below.

Bi-directional Service at Sabine Pass Provides Opportunity to Arbitrage Henry Hub vs. Oil

Worldwide LNG prices predominantly based on a percentage of oil

	Europe	Asia
Henry Hub	\$ 6.50	\$ 6.50
Capacity Charge	1.75	1.75
Shipping	1.00	2.80
Fuel	0.65	0.65
Delivered Cost	\$ 9.90	\$ 11.70
Equivalent Oil Price	\$ 58	\$ 69
Equivalent Oil Indexation Rate		
at \$90/bbl	11.0%	13.0%
at \$150/bbl	6.6%	7.8%

Sabine Pass bi-directional service primary targeted customers

- Long standing purchasers of gas indexed to oil prices (11 - 15% of crude)
 - 30 to 40 Bcf/d market
- Power generators (mostly in developing economies) who burn fuel and diesel for electric generation at a current cost of \$15/mmbtu
 - 20 to 30 Bcf/d market

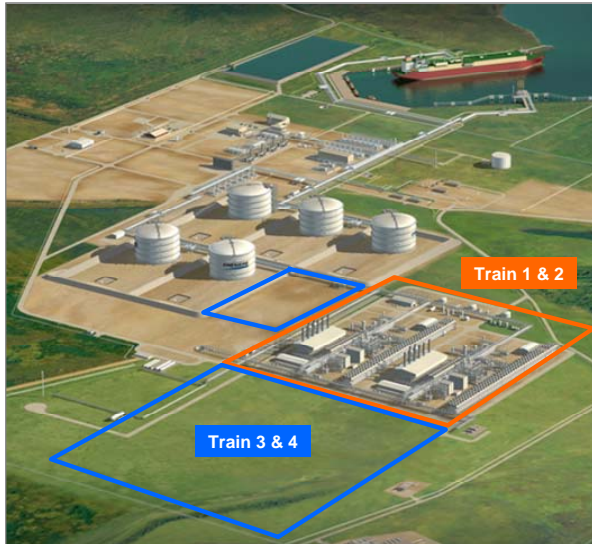
Sabine Pass LNG Network Expansion

Cheniere Energy proposes to install liquefaction services at the Sabine Pass LNG receiving terminal in Cameron Parish, Louisiana. Adding liquefaction capabilities will transform the Sabine Pass terminal into a bi-directional facility capable of liquefying and exporting natural gas in addition to importing and regasifying foreign-sourced LNG. Due to the abundance of supply and the existing pipeline infrastructure in both Texas and Louisiana, Cheniere believes it can provide an additional outlet for U.S. natural gas production while offering a stable source of supply for global buyers.

The Sabine Pass site can readily accommodate up to 4 LNG trains capable of processing approximately 2 Bcf/d of natural gas. The capacity of each liquefaction train would be approximately 3.5 million tons per annum (mtpa). The initial project would include two trains with liquefaction capacity of approximately 1 Bcf/d. Further expansion would be considered based upon customer interest.

Cheniere estimates that construction of the liquefaction capacity is comparable to expansion economics, since the Sabine Pass terminal already has many of the facilities required for an export terminal. Cheniere's bi-directional service would use its existing infrastructure, including five storage tanks and two berths at the Sabine Pass terminal, as well as Cheniere's 94-mile Creole Trail Pipeline, which would be reconfigured as a bi-directional system. The 853-acre Sabine Pass site is strategically situated to provide export services given its large acreage position, proximity to unconventional gas plays in Louisiana and Texas, its interconnections with multiple interstate and intrastate pipeline systems, and its premier marine access within 4 miles of the Gulf Coast.

Sabine Pass Liquefaction



Current Facility

- 853 acres in Cameron Parish, Louisiana
- 40 ft ship channel 3.7 miles from coast
- 2 berths; 4 dedicated tugs
- 5 LNG storage tanks (17 Bcf of storage)
- 4.3 Bcf/d peak vaporization
- LNG export licenses approved

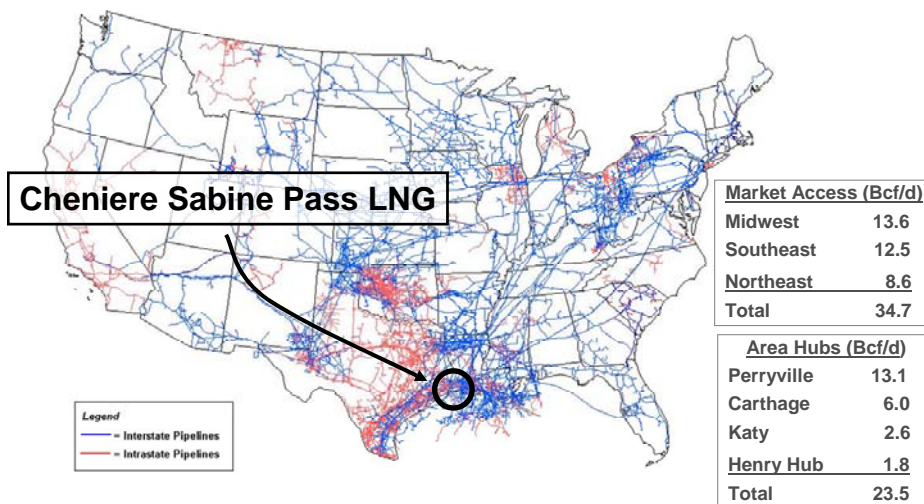
Liquefaction Expansion

- World's first bi-directional LNG facility
- Monthly nomination rights to liquefy for export or regasify for import
- Up to 4 liquefaction trains
 - Each 3.5 mtpa / ~ 500 MMcf/d
 - ConocoPhillips Optimized Cascade technology
- Estimated CAPEX: less than \$400/ton
- Estimated commercial start date: 2015

Access to Gas Supply

Cheniere's Sabine Pass LNG facility in Cameron Parish, Louisiana, is ideally situated to capitalize on continued unconventional gas development. The Gulf Coast and Midcontinent regions contain five of the six major US shale plays, including the Barnett, Haynesville, Woodford, Fayetteville/Arkoma, and Eagle Ford, and three of the largest tight-sands plays, including the East Texas, Anadarko and Gulf Coast plays. The natural gas productive capacity in this region therefore represents a major portion of current and future U.S. production. In 2010, about half of U.S. unconventional productive capacity (nearly 19 Bcf/d) was sourced from the Gulf Coast/Mid-Continent corridor.

A number of large-diameter interstate pipelines have been built in recent years to connect these emerging unconventional basins to major gas market hubs, particularly in the Perryville area of northeastern Louisiana. The Sabine Pass LNG Terminal can deliver to and potentially receive natural gas from eleven interstate and intrastate pipeline systems in the Gulf Coast. These pipelines will allow Sabine Pass and its customers to purchase and receive gas from the emerging unconventional basins, as well as the historically prolific Gulf Coast Texas and Louisiana onshore gas fields.



Source: EIA 2009 Gas Demand by Census Region (Market Access)
 Company Reports, Lippman Consulting (Area Hubs)